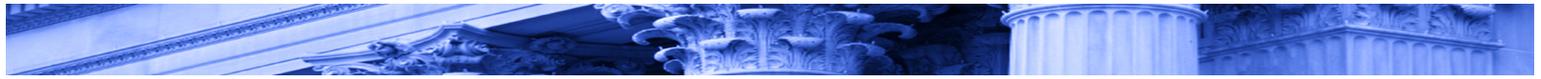


# ABCs of Auto Insurance





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Today, most states require car owners to purchase auto insurance coverage. Whether you already have auto insurance or are considering buying some, you may be wondering how much is enough and which types of coverage you need. Here are a few tips to get you started.

## A is for auto policy

When you purchase auto insurance, you enter into a written contract with your insurance company. The contract states that you agree to pay a certain amount of money (the premium) and that the insurer agrees to provide a certain dollar amount of protection (coverage limits) for a specified amount of time. Read this policy carefully when you get it, and ask your insurance agent to clarify any terms and conditions that you don't understand. And remember to review your policy periodically. Your life will change, and so will your coverage needs.

## B is for bodily injury coverage

Bodily injury and property damage make up the portion of your policy known as liability coverage. This is mandatory in most states. If you cause an accident, you may be liable for some or all of the damages. Liability coverage protects you from potential lawsuits by providing coverage to individual(s) injured as a result of your negligence. The amount of protection (coverage) that you choose, beyond state requirements, is up to you. In many states, you can purchase as little as \$20,000 per injured person and \$40,000 per accident. However, this may not be enough to adequately protect you. For instance, if you own a home or have any other valuable assets, you'll want to protect those assets by choosing higher limits. Frequently recommended limits are \$100,000 per injured person and \$300,000 per accident.

## C is for collision and comprehensive

Collision, as the name implies, covers your auto when it strikes an object (e.g., a tree or a telephone pole). Comprehensive covers your auto against other physical damage that is not covered by collision (e.g., fire and theft). Although these coverages are optional under state insurance laws, that doesn't mean you should forgo them. Collision and comprehensive can be valuable because they can limit your out-of-pocket expenses.

But if your car has a low resale value (e.g., under \$1,000), having collision and comprehensive coverage may not make sense--the premium cost may not be worth it if you can afford to pay for repairs yourself. However, keep in mind that dropping these coverages is not always up to you. If you finance your car, your lender may require you to carry collision and comprehensive coverage.

## D is for deductible

Think of your deductible as self-insurance. It's the amount of money that you're willing to pay out of your own pocket if there's an accident. You can save money on your premiums by choosing a higher deductible, but watch out--if you get into an accident, you'll need to come up with that amount before your insurance pays a dime.

For example, say you choose a \$1,000 deductible. You get into a minor accident, and the damages total \$950. You'll end up footing the entire repair bill, because your insurer pays for damage only above and beyond your deductible amount. But if your deductible was lower, say \$500, you would have to come up with only that amount--your insurer would pay the remaining part of the bill, in this case \$450.

## E is for exclusions

Exclusions are why it's so important for you to read your auto policy. Most people purchase open peril or unnamed peril policies. These policies cover all risks, except those listed in the exclusions section of your policy. For example, insurers do not cover "willful and wanton misconduct." This is conduct that is intentional and reckless or in disregard of the law. You don't want to find yourself in an exclusionary situation, because you'll be left to pay the bills--both yours and those of anyone you injure.

## F is for filing a claim

You've been in an accident--now what? You need to notify your insurer. Your insurer will have you fill out an incident report in which you state what happened in the accident. You may also need to give a recorded statement to the adjuster. If you file a claim for property damage, you'll need to get an appraisal. Some insurers will send an appraiser to you, while others require you to come to them. If you are injured, your insurer will require you to have a physical exam. In general, you can see your own doctor, but the insurer may also ask that you see a doctor of its choosing.

Most insurance policies contain a clause regarding late notice. If you fail to notify your insurer of the accident in a timely manner,



the company can disclaim coverage. This means that the insurer will not pay. What is considered late notice? This question continues to be battled out in courtrooms across the United States, so if you are planning to file a claim, the best advice is to notify your insurer as soon as possible.

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